

Commonwealth of Virginia Operational Task Force Phone and Data Committee

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Phone and Data Committee Findings

EXECUTIVE SUMMARY

The Operational Review Task Force Phone and Data Committee was tasked with performing a high-level review of telephone and data use within the Commonwealth. The committee used the July 2010 Auditor of Public Accounts (APA) audit of cellular phone usage by executive branch agencies as a guide for its work. One of the key findings of the audit report was that the Commonwealth lacked “the tools to analyze telecommunications usage and cost effectively.” This shortcoming also impacted the committee’s ability to determine the potential impacts of implementing the identified best practices. While the committee was able to determine the annual spend on telecommunications services, the lack of lower level, detailed information about the services comprising those costs prevents any kind of estimate of the savings the best practices would generate; however, the committee believes there is likely significant savings that can be realized by the Commonwealth if more detailed data gathering and analysis are conducted.

In short, the committee’s recommendation for a path forward is that the Commonwealth must first **inventory** its physical assets and usage; next, **analyze and design** by validating that the current inventory and usage of phone and data services is necessary and aligns with established best practices; and finally, **combine and consolidate** services to reduce the overall volume of these services consumed.

TOTAL SPEND ON PHONE AND DATA

Following the suggested work plan, the committee first determined the annual spend on phone and data services. The following is a brief summary of those costs and additional information:

Item	Cost
Total Commonwealth annual spend from CARS exc. High Ed.	\$74,832,943
Total telecommunications costs billed to agencies by VITA	\$52,420,616
Number of wireless telephones used by agencies and billed by VITA	5,548
Total wireless costs billed to agencies by VITA	\$6,031,649
Total long-distance costs billed to agencies by VITA	\$4,412,169
Number of gigabytes of storage costs billed to agencies by VITA	1,260,795
Total data storage costs billed to agencies by VITA	\$3,166,554

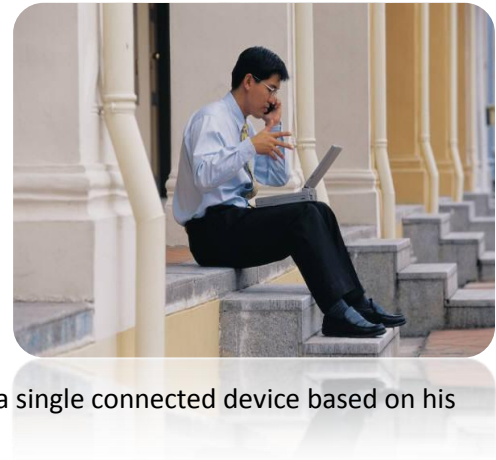
Of interest in these figures is that about 30% of the state-level spend on telecommunications is currently being expended outside of VITA. This means that the Commonwealth is not fully leveraging its purchasing power and volume through a consolidated procurement vehicle. Unfortunately, the committee lacked any detailed information on this external spend to determine the appropriateness of telecommunications being purchased outside of state contracts through VITA. While higher education is not included in the amounts from CARS (high education spends another \$75M annually, with only about \$18M of that being through VITA), it does include the legislative branch, judicial branch and independent agencies.

BEST PRACTICES

The purpose of this report is to outline a process for the Commonwealth to achieve cost savings and efficiencies through Connected Devices and Continuous Services. Connected devices can be defined as computing equipment attached to a network. Continuous Services can be defined as work processes, citizen engagement and government operations provided over a network 24 hours per day, 7 days per week and 365 days per year.

Achieving the Connected Devices and Continuous Services cost savings requires a combination of thorough planning, cooperation and sacrifice. To achieve Cost Savings, the Commonwealth must understand the depth, breadth and total cost of ownership (TCO) for our voice and data networks. The Commonwealth must first **inventory**, next **analyze and design** and finally, **combine and consolidate**. It is possible that the greatest cost savings can be achieved by those agencies that are able to develop new policies that adhere to a single connected device per employee.

Further still, there may be a day when the employee provides a single connected device based on his personal preference rather than the agency providing it.



Inventory

The first step is to inventory existing assets. Agencies or business units should collect at least the total numbers for the following:

- telecommunication providers
- computing devices
 - notebook
 - PDA/Smartphone/BlackBerry
 - PC
 - Netbook/Ipad/tablet
- conference phones
- phone extensions
- voicemail boxes
- fax machines
- trunk lines
- handsets

Call Forwarding

Indicator	Goal	Value	Status
MAR Costs	5	66	▲
FEB Costs	5	39.6	▲
JAN Costs	5	45.4	▲
DEC Costs	5	62.2	▲
NOV Costs	5	65	▲
OCT Costs	5	76.4	◆
SEP Costs	5	66	▲

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This inventory should be completed quickly, and a dashboard created that demonstrates the cost savings achieved and envisioned. The dashboard would start with benchmarks and goals by agency, and an agency employee is given the responsibility of reducing one or more of the listed assets. Each month, dashboards are updated for comparison purposes and the agencies achieving the most cost savings would be recognized for their efforts.

There are examples of similar tracking dashboards in use in local government, so development of the dashboard and training of agency employees could be accomplished relatively quickly. At the same time, agencies could begin the inventory process.

Analysis and Design

The inventory provides the data to complete analysis and design. Analysis will reveal more opportunities for cost savings. Design would allow for the creation of the Connected Devices and Continuous Services Business Model. During analysis, we would select one or more pilot agencies or departments and would partner with them to design and plan a consolidation of services and Connected Devices. This may include elimination of analog PBX systems, replaced with VoIP; or elimination of desk phones, replaced with a connected device that allows users to communicate via both voice and data. The result will be a template of services, Connected Devices, and policies and best practices.

The concept of Continuous Services will also be analyzed and designed. The Connected Devices will be linked consumers of the Continuous Services. The design, policies and best practices would be developed as part of Connected Devices and Continuous Services vision.

Combine and Consolidate

The selected agency and department must first commit to the design and agree to sacrifice (change) for true cost savings to be achieved. Implementing the design may require employees to change work habits and turn in one or more connected devices and replace them with a single connected device. During this phase, policies, procedures and training would occur as well as new Continuous Services offered; replacing legacy operations and changing business processes.

Ongoing Active Management

As a result of the APA audit, VITA already has begun the process of researching the best solution for implementing Telecommunications Expense Management (TEM) services. TEM services allow for real-time analysis of telecommunications usage and provide alerts to changes that can reduce overall costs and improve efficiency. Switching a user from one wireless rate plan to another that more closely reflects their usage patterns can greatly reduce monthly costs by eliminating expensive overage or roaming charges. To realize the greatest benefits of TEM services, each agency needs to take the necessary steps to implement cost-savings recommendations. Each agency needs to be accountable and committed to the active management of telecommunications expenses. While TEM services will assist with this effort, each agency must be responsible for the accuracy and continued support of the inventory as well as the appropriate consumption of phone and data services.

Although VITA needs to develop policies and guidelines to provide consistency statewide use of the services, agencies must be responsible for ensuring that all policies and best practices are followed in support of the agency business process. Agency cost center managers must be actively engaged in the management of the telecommunications costs in their work unit and business process. The cost center manager provides the critical link between the business processes and the technology used to execute that process. The cost center manager must understand the fiscal impact of the technology choices that are being made if costs are to be controlled. This visibility does not currently exist in many cases.

Data Storage Management

In May 2010, VITA executed a modification to the IT Partnership contract that changed the way data storage is billed to agencies. In the past, data storage was included in the bundled rate for a server, which meant there was no discreet rate for the amount of storage consumed. With the rapid growth in storage required by agencies, the contract was modified to reflect a cost based on the amount of storage utilized. Agencies storing less would pay less, and agencies storing more would pay more. This change has caused many agencies to recognize that they need to better manage their storage. VITA is currently working with agencies to identify opportunities for savings. They have developed several tip sheets to assist agencies and have posted them on the VITA website at the following URL:

<http://www.vita.virginia.gov/councils/default.aspx?id=12542>

VITA and the agencies have worked together to identify several instances where files were duplicated several times, inappropriate files (e.g., songs and movies) were being stored and files were still being maintained online that had not been accessed for an extended period of time. A significant amount of savings to storage costs is expected as this effort is expanded to all agencies.

REASONABLE CONSUMPTION AND COST SAVINGS

Due to the lack of any kind of detailed inventory of the services and how they are used in the agencies, it is impossible to determine a reasonable level of consumption or cost savings. As an example, one of the best practices included above is the elimination of a desk phone in favor of a connected wireless device. The potential savings of this practice can range per device from \$11 per month for a simple desk phone to over \$100 per month for a more advanced user with multiple devices; however, there is little data available that indicates the types of desk phones currently being used and their associated costs. Additionally, there is even less data available to tie current wireless usage to desktop phone usage to determine if users' usage patterns lend themselves to the conversion. All of this needs to be taken into consideration when determining the optimal telecommunications services for an individual user.

Once the inventory is complete, a better estimate of cost savings can be determined. The Committee recommends that VITA be directed to select two to three agencies with which to partner to pilot the inventory; analysis and design; and combine and consolidate process. With data from the pilot, the Commonwealth can determine the projected overall cost savings and whether it is sufficient enough to warrant the investment of time and resources in the process.

SUMMARY

The key phases required to achieve phone and data cost savings in the Commonwealth are inventory; analyze and design; and combine and consolidate. Cost savings are achieved easily during the Inventory phase. The major cost savings are achieved by those agencies that design and implement tools and policies to enable a single connected communication device per employee. Short- and long-term value for the Commonwealth can be accomplished with consistent application of best practices for procurement and use of phone and data services, implementation of policies, utilization of technology tools to track and manage spend, and collaborative efforts within agencies to manage their cost center's spend.